

STIRLING COUNCIL

**MINUTES of MEETING of the AUDIT COMMITTEE held in MUNICIPAL CHAMBERS,
CORN EXCHANGE ROAD, STIRLING on THURSDAY 4 SEPTEMBER 2014 at 10.30 am**

Present

Councillor Scott FARMER (Convener)

Councillor Neil BENNY
Councillor Graham HOUSTON

Councillor Mark RUSKELL
Councillor Jim THOMSON

In Attendance

Jim Boyle, Chief Finance Officer
David Bright, Resilience & Risk Manager
Stewart Carruth, Chief Executive
Liz Duncan, Chief Governance Officer, Governance & Resources
Les Goodfellow, Head of Environment
John MacMillan, Service Manager, Housing & Customer Service
Michael Boyle, Business Support Manager, Education
Kevin O'Kane, Audit Service Manager
John Risk, Head of Assets & Support
Jane Menzies, Assistant Head of Strategy, Performance & Partnership, Social Services
Jean Houston, Committee Officer, Governance & Resources (Clerk)

Also in Attendance

Gary Devlin, Grant Thornton, External Auditor

AC92 APOLOGIES AND SUBSTITUTIONS

There were no apologies or substitutions.

AC93 DECLARATIONS OF INTEREST

There were no declarations of interest.

AC94 URGENT BUSINESS BROUGHT FORWARD BY THE CONVENER

There were no items of urgent business.

AC95 MINUTES

Audit Committee – 22 May 2014

Decision

The Committee agreed to approve the Minutes of the Meeting of the Audit Committee held on 22 May 2014 as a correct record of proceedings.

Audit Committee Reconvened – 8 July 2014

Decision

The Committee agreed to approve the Minutes of the Reconvened Meeting of the Audit Committee held on 8 July 2014 as a correct record of proceedings.

AC96 INTERNAL AUDIT ANNUAL RISK ASSESSMENT AND PLAN 2014-15: PROGRESS REPORT

This report provided an update on progress made against Internal Audit's annual plan, including any changes to that Plan, together with details of reports issued since the last meeting of the Committee on 8 July 2014, including reports on reviews performed under the previous year's plan.

Internal Audit Summary Reports were attached at Appendix 2 to the submitted report. These included the background to each review, its scope and objectives, summary of findings, the audit opinion, and the agreed Service actions in response to Internal Audit 'high priority' recommendations.

Internal Audit Report Summaries

(a) Attendance Support

The scope of the review was to assess the arrangements across services to support the Council's Supporting Attendance Policy and Procedures, and to consider the extent of compliance with the policy.

The review also identified elements of good practice and also highlighted a number of issues to be addressed and made recommendations to improve the processes for managing, monitoring and reporting sickness absence.

The audit opinion was that substantial assurance could be given that the Council's arrangements to support the Supporting Attendance Policy and Procedures were appropriate and were operating effectively.

The Head of Assets and Support responded to members' questions concerning the delivery of the occupational health service that began in November 2013, the level of demand on the service, and whether there was any causal link to the improvement in attendance over the first quarter of this year.

Members expressed some concern regarding delays in return to work forms being received by HR after employees had returned to work, in particular in Social Services and Education. The Assistant Head of Strategy, Performance & Partnership gave an assurance that Social Services were monitoring this matter, had arranged training for teams, and could identify the individual cases in question and follow up. The Education Business Support Manager confirmed that Education were also addressing this matter.

(b) Roads Rechargeables

The scope of the review was to examine arrangements for the recharge of costs incurred in relation to civil engineering works performed by the roads Repairs STO (Significant Trading Operation) for both internal and external clients, and for damage repairs to the roads network.

The review identified some findings to improve the processes and arrangements in respect of the recharge of costs incurred by the Road Repairs STO and Internal Audit had made recommendations to the service in respect of these.

The audit opinion was that substantial assurance could be provided that the Council's procedures for recharging internal, external and damage repairs were operating effectively.

The Head of Environment provided information on the process for undertaking repairs and invoicing costs to a third party or relevant insurance company where a third party was responsible for damage to roads infrastructure. The Internal Audit Manager confirmed that the Council had not yet taken advantage of a scheme to recover the costs of repairs to damage caused by uninsured or untraced drivers - the Head of Environment was keen to investigate this further.

Position Statement

The Committee noted the Position Statement attached as Appendix 3 to the submitted report.

Decision

The Audit Committee agreed:-

1. to note the findings, risks, recommendations and statements of assurance set out on the Audit Summary Reports attached at Appendix 2 to the report;
2. to provide comments on the agreed 'high priority' actions, reflecting Services' responses to the risks and recommendations;
3. to note progress made on the Risk Assessment & Plan 2014-15 as set out in the Position Statement attached at Appendix 3 to the report; and

4. to note that a review of Utilities would now be performed as part of the 2014-15 Plan, and that the scheduled review of Corporate Asset Management had been deferred.

(Reference: Report by Head of Governance & Resources dated 27 August 2014, submitted).

AC97 INTERNAL AUDIT ANNUAL REPORT 2013-14

The Internal Audit Annual Report is submitted to the Audit Committee as part of the Council's compliance with the Public Sector Internal Audit Standards, which require the Council's 'Chief Audit Executive' to provide the Committee with a report timed to support the Council's Annual Governance Statement.

This report had been submitted to the Council Management Team on 20 August 2014.

The report provided the Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk management and control framework; a summary of the work from which the audit opinion had been derived; a summary of key findings from the programme of work 2013-14; and a statement of Internal Audit's conformance with the Public Sector Internal Audit Standards and the results of Internal Audit's Quality Assurance and Improvement Programme.

On behalf of the Audit Committee, the Convener thanked the Internal Audit Team for the high quality of work undertaken over the past year. Members commented that it would be useful to present the report on the website. The Internal Audit Manager agreed to check common practice in that regard and also welcomed views on the presentation format of the report.

The Internal Audit Manager provided clarification to members regarding the level of assurance given. The External Auditor commented that the wording was in accordance with Audit parlance and was the best level of assurance that should be expected. Members asked if the phraseology could be consistent that that used in Internal Audit reports.

Decision

The Audit Committee agreed:

1. to note the Audit Service Manager's reporting obligations under Public Sector Internal Audit Standard 2450 - 'Overall Opinions', as set out in Appendix 1;
2. to endorse the Internal Audit Annual Report 2013-14, issued by the Audit Service Manager and attached at Appendix 2; and,
3. to note that the Internal Audit Annual Report 2013-14 had been submitted to the Council Management Team on 20 August 2014.

(Reference: Report by Head of Governance & Resources dated 27 August 2014, submitted).

AC98 BENEFIT FRAUD ANNUAL REPORT 2013-14

Since August 2009 the Benefit Fraud Investigation team had been integrated with the Council's Internal Audit team. An Annual Report on the work of the team had been prepared since 2010-11. The Benefit Fraud Annual Report 2013-14 was attached, at Appendix 1, for information and consideration by the Audit Committee.

During 2013-14 the Benefit Fraud Investigation team comprised two full-time staff, funded by an annual subsidy from the Department for Work & Pensions. The primary function of the Benefit Fraud Investigation team during 2013-14 was to investigate allegations of Housing and Council Tax Benefit fraud and, where appropriate, to work with the Department for Work & Pensions Fraud Investigation Service.

The Benefit Fraud Investigation team also prepared cases for consideration of prosecution in the courts by the Crown Office & Procurator Fiscal Service, and played a significant co-ordination and investigation role for the Council as part of the biennial National Fraud Initiative (NFI) exercises conducted by Audit Scotland.

The Benefit Fraud Annual Report 2013-14 had been submitted to the meeting of the Council Management Team on 20 August 2014.

The Internal Audit Manager responded to members' questions regarding the process for anonymous referrals and also concerning the transfer of responsibility for Housing Benefit fraud to the DWP Single Fraud Investigation Service.

Decision

The Audit Committee:

1. noted and endorsed the Benefit Fraud Annual Report 2013-14, issued by the Audit Service Manager, and attached at Appendix 1;
2. noted that the Benefit Fraud Annual Report 2013-14 had been submitted to, and considered by, the Council Management Team on 20 August 2014; and,
3. noted that the Council's Benefit Fraud Investigation team was expected to transfer to the new, national Single Fraud Investigation Service in March 2015.

(Reference: Report by Head of Governance & Resources dated 27 August 2014, submitted).

AC99 PURCHASING CARD UPDATE

This Report provided an update on the number of purchasing card statements that were overdue for review by the cardholder and returned to Procurement by services.

A new Procedure for the Issue & Return of Purchasing Card Statements had been developed and communicated to Heads of Service and purchasing cardholders by the Council's Procurement Manager. The new procedure required the nomination of a single Point of Contact for each service and most services had complied at the time of reporting. It was expected that there would be a Point of Contact for all services in the immediate future and any services outstanding after one more week would be reported to the Chief Executive to take appropriate action.

The new procedure would take effect once the August monthly statements had been issued and future reporting would be enhanced. The return of statements would continue to be monitored to ensure that the new procedure was working effectively.

Decision

The Audit Committee agreed to note:

1. the summary of outstanding purchasing card statements attached at Appendix 1, and that action was being taken to address this; and
2. that the new Procedure for the Issue & Return of Purchasing Card Statements would take effect on the next issue of statements (those for August).

(Reference: Report by Head of Governance & Resources dated 27 August 2014, submitted).

AC100 UPDATE ON PLANS TO REVIEW UTILITIES AND THE CARBON REDUCTION COMMITMENT ENERGY EFFICIENCY SCHEME

The Audit Committee agreed, at its meeting on 20 March 2014, to receive a report setting-out future plans to review Utility Charges and the Carbon Reduction Commitment Scheme. This report was further to the one submitted to the re-scheduled meeting of the Committee on 8 July 2014.

The Internal Audit Risk Assessment & Plan 2014/15, as approved by the Audit Committee on 20 March 2014, did not include a review of Utility Charges or the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. A combined review had been scheduled under the 2013/14 Plan: however, it had been agreed not to proceed with that following a request from the Service.

Following discussion at the Committee meetings on 20 March 2014 and 8 July 2014, and a subsequent meeting between Internal Audit and Assets & Support, it had been agreed that a Utilities review would be performed by Internal Audit later in 2014/15. That review would focus on energy usage and costs. As a consequence, a planned review of Corporate Asset Management had been deferred.

The Council had now been informed that the Scottish Environmental Protection Agency (SEPA) intended to perform its audit of the Council's compliance with the CRC Energy Efficiency Scheme in early October. The objectives of this review would be to ensure that the Council was keeping sufficient records to support the information it had provided; ensure that information reported was accurate, focussing mainly on the data submitted for the 2013/14 annual report; and identify and share best practice.

Internal Audit would carry out a subsequent review around May 2015, timed in order to assist the Council's CRC Energy Efficiency Scheme Annual Report for 2014/15. The scope and objectives would take into account any opportunities to use waste heat to reduce costs.

Decision

The Audit Committee noted that:-

1. Internal Audit would perform a review of Utilities, focussing on energy usage and cost, as part of its programme of work for 2014/15. This review would replace the planned review of Corporate Asset Management, which was now deferred; and,
2. Internal Audit would perform a review of the Carbon Reduction Commitment Energy Efficiency Scheme as part of its programme of work for 2015/16.

(Reference: Report by Head of Governance & Resources dated 27 August 2014, submitted).

AC101 INTERNAL AUDIT: ACTION TRACKING UPDATE

Internal Audit reports contained recommendations for improvements to controls, systems and processes, together with Services' agreed actions to address those recommendations. These were summarised in agreed Action Plans within each audit report. Internal Audit monitored and reported on the timely implementation of agreed actions across all audit reviews.

The report identified Services' progress in implementing actions that had a target date of 31 March 2014 or earlier, based on responses received as at 20 August 2014.

The report listed all 'high priority' actions originally due for completion by 30 June 2014 that had not been completed as at 13 August 2014. Services had identified and explained some actions that should no longer be treated as 'high priority', and these were set out in the report.

In response to questions, the Head of Environment agreed to report back to members with an update on the introduction of the new software system for the Commercial Waste Service.

Members requested that services should provide any relevant links between overdue actions and the Priority Based Budgeting process and that this information should be included in future presentation of the report on 'high priority' actions overdue.

Decision

The Audit Committee noted:-

1. the Action Tracking report at Appendix 1, which highlighted that there were 38 Internal Audit reports with actions that were outstanding. The reports included 368 actions that had been completed, 12 that had been cancelled, 171 that were on schedule, and 8 that were overdue in terms of their current target dates;
2. the report at Appendix 2, which provided details of the 19 'high priority' actions that were overdue in terms of their original target dates, including Services' explanations for slippage; and,

3. that these reports had been submitted to the Council Management Team meeting on 20 August.

(Reference: Report by Head of Governance & Resources dated 27 August 2014, submitted).

AC102 AUDIT SCOTLAND NATIONAL REPORTS UPDATE

In response to the recommendation of the Council's external auditors that there should be a formal procedure for reporting Audit Scotland national reports to elected members, the Chief Governance Officer had arranged for all such reports to be considered by the Audit Committee.

This report informed the Committee of the publication of Audit Scotland national reports published in 2014 to date namely

“Reshaping Care for Older People”;

“How councils work: an improvement series for councillors and officers. Options appraisal: are you getting it right?”;

“An overview of local government in Scotland 2014”.

Reshaping Care for Older People

This report outlined the findings of Audit Scotland in assessing the increasing requirement for care of people over the age of 65 in Scotland. It noted that across Scotland and the rest of Europe, people were living longer and were in better health while also recognising that the ageing population would affect the wider economy.

The Assistant Head of Strategy, Performance & Partnership advised members that a number of actions were already underway to review Change Fund initiatives. She also highlighted that a data analyst had been recruited to improve information management and the corresponding quality and performance framework. Social Services were clear which areas of the programme should be prioritised and were confident of good progress.

How councils work: an improvement series for councillors and officers. Options appraisal: are you getting it right?

This report was written by Audit Scotland for Councillors who were responsible for setting strategic direction, taking policy decisions and scrutinising performance; Chief Executives and Corporate Management Teams who were responsible for delivering Council objectives; and Managers who were responsible for managing appraisal processes. It outlined the crucial role that Councillors had in the options appraisal process.

The report included a guide to “What an effective council looks like” and “Questions for Councillors” which would be circulated to members.

An overview of local government in Scotland 2014

This report used audit work from 2013 in order to inform Audit Scotland's view on the progress being made by councils and to guide councillors in identifying the priorities for 2014.

The report highlighted the importance of partnership working and long term resource planning and set out the key priorities for councillors in 2014.

Officers confirmed that progress was being made in developing a wider programme of training for councillors, which would include the introduction of training for Audit Committee members; it was anticipated that this could take place by the end of the year.

The Chief Finance Officer responded to questions regarding the level of 'free reserves' and confirmed that he was content with the level at this time. Should the need arise, the matter of revising the target or taking other action to reduce the level of 'free reserves' would be reported to the Corporate Management Team for discussion.

Decision

The Audit Committee agreed to note:

1. the content of the Audit Scotland national report "Reshaping Care for Older People" and the work underway in Stirling Council as set out in paragraph 3.6 of this report;
2. the content of the Audit Scotland national report "How councils work: an improvement series for councillors and officers. Options appraisal: are you getting it right?" and the action to be taken as set out in paragraph 3.12 of this report; and
3. the content of the Audit Scotland national report "An overview of local government in Scotland 2014".

(Reference: Report by Head of Governance & Resources dated 27 August 2014, submitted).

AC103 ARMED FORCES DAY AUDIT

The Chief Executive updated the Committee on progress with the Armed Forces Day audit.

He confirmed that he had received the draft report by Grant Thornton and that he had arranged a telephone conference call with the External Auditors to get clarification on a number of matters arising from the report. The final report would be presented subject to this discussion.

Members asked if the report would include information on financial aspects pertaining to the Armed Forces Day National Event, including staff costs. The Chief Executive considered it unlikely that the final report would include this level of detail, however these issues could be addressed to the External Auditors on presentation of the report. He would make Grant Thornton aware of the Committee's request that indirect costs as well as direct costs be commented on. The matter of direct costs could be investigated with Heads of Service in the meantime.

Decision

The Committee noted the update from the Chief Executive.

(Reference: Report by Head of Governance & Resources dated 26 August 2014, submitted).

AC104 EXTERNAL AUDIT PLANS FOR STIRLING COUNCIL CHARITABLE TRUSTS

The Local Government (Scotland) Act 1973 required an external audit of charitable trusts where the Council was the sole trustee under section 106. The Council had prepared four sets of accounts for the charitable trusts to meet this requirement. These were for

- The Thomas Brittain Trust
- Dunblane Cemetery Memorial Trust
- Stirling Council Common Good Fund
- Stirling Council Consolidated Small Charitable Trusts

The Annual Audit Plan for each charitable trust set out the planned work to be undertaken by the external auditor to conduct the audit of the financial year 2013-14. The audit planning process considered the key risks facing the organisation

Decision

The Audit Committee agreed to note:-

1. planned work to be undertaken in 2013-14; and
2. that the results of the work would be reported to the Committee in due course.

(Reference: Report by Head of Governance & Resources dated 25 August 2014, submitted).

AC105 ANNUAL REPORT ON EMPLOYEE ABSENCE

The Head of Assets and Support presented the report which gave an account of the fourth year of the operation of the Supporting Attendance Policy and the Attendance Capability Procedure.

Working days lost for teachers for 2013/14, compared with 2012/13, had reduced per employee by 0.46 days to 5.19 days. Comparative information with other councils for 2013/14 would not be available until October 2014. For all other employees the average days lost had increased by 0.54 days to 10.46 days - the Council was in 5th place compared with other councils.

The report provided information on yearly trends; reasons for absence; comparisons of length of absence; methods of early intervention via the Employee Counselling Service and Occupational Health; and actions being taken in relation to the Supporting Attendance Policy.

The Head of Assets and Support was pleased to report that there had been a significant improvement during the first quarter of the current year.

Decision

The Committee noted the content of the report and the actions being taken to support attendance.

(Reference: Report by Head of Governance & Resources dated 11 August 2014, submitted).

AC106 REGULATION OF INVESTIGATORY POWERS (SCOTLAND) ACT 2000 ANNUAL REPORT 2013/14 - SURVEILLANCE COMMISSIONER'S INSPECTION

The Chief Governance Officer presented the report on the operation of the Regulation of Investigatory Powers (Scotland) Act 2000 within Stirling Council in 2013/14 which dealt with the requests for authorisation of directed surveillance and the use of covert human intelligence sources.

Following a visit to the Council in January 2013, the Chief Surveillance Commissioner had issued a report and recommendations on the management of covert operations within Stirling Council under the Regulation of Investigatory Powers (Scotland) Act 2000. This report informed members of the actions taken to address the recommendations.

Decision

The Audit Committee agreed to note:-

1. that one authorisation for directed surveillance had been granted in the year ended 31 March 2014;
2. that there were no active covert human intelligence sources as at 31 March 2014, none having been recruited during the year and none having been used during the year;
3. that no breaches in procedure had been identified in relation to the year ended 31 March 2014; and
4. the terms of the Surveillance Commissioner's report and recommendations as attached as Appendix 1 and actions taken as listed in paragraph 3.5.

(Reference: Report by Head of Governance & Resources dated 14 May 2014, submitted).

AC107 REGULATION OF INVESTIGATORY POWERS ACT 2000, ANNUAL REPORT 2013/14 - INTERCEPTION OF COMMUNICATIONS COMMISSIONER'S INSPECTION

The acquisition of communications data was regulated by the Regulation of Investigatory Powers Act 2000. This report, presented by the Chief Governance Officer, provided members with information about the Council's activity in this area in

2013/2014. The process was regulated by statute and applications were subject to judicial oversight. The process was bureaucratic and there was a risk of non-compliance leading to possible litigation; for those reasons the Council had joined the National anti-Fraud Network in December 2013. The processes adopted by that Network met all the requirements of relevant legislation and best practice standards.

Following an inspection visit in March 2014, the Interception of Communications Commissioner's Office had issued a report and recommendations. This report informed members of the actions taken to address the recommendations. In view of the Council's decision to use the National anti-Fraud Network's Single Point of Contact service to manage its requirements in future, no further inspections would be necessary.

In response to comments by members, the Chief Governance Officer agreed to review the presentation of future reports on the Council's activity in relation to the Regulation of Investigatory Powers (Scotland) Act 2000 and the Regulation of Investigatory Powers Act 2000.

Decision

The Audit Committee agreed to note:-

1. that five applications for the acquisition of communications data had been granted in the year ended 31 March 2014; and
2. the terms of the Interception of Communications Commissioner's Office report and recommendations as attached as Appendix 1 and the Council's responses as detailed in paragraph 3.5.

(Reference: Report by Head of Governance & Resources dated 14 May 2014, submitted).

Councillor Neil Benny left the meeting after consideration of the above item.

AC108 COUNCIL RISK REGISTER

The Resilience & Risk Manager introduced a report which presented the Council Risk Register and invited the Committee to examine the Significant Risks facing the Council and the Risk Treatments put in place to reduce the risks.

The Council Risk Register currently contained 16 Strategic Risks, as compared to 17 at the time of the last report to Committee on 22 May 2014. The report also detailed changes in risk status that had occurred since the last report.

The Resilience & Risk Manager advised the Committee of changes to the presentation format of the report. He invited members to contact him if there were specific risks of interest so that a response could be given at Committee meetings. The Resilience & Risk Manager would always have a 'point of time' report available at meetings.

In response to questions, the Resilience & Risk Manager agreed to advise members of the timetable of reporting on flooding matters to Environment and Housing Committee and also agreed to review whether Armed Forces Day National Event should remain on the Risk Register, albeit for different reasons.

Members commented on the order of the agenda and it was agreed that the Council Risk Register should be the first item on the agenda to be considered at future Audit Committee meetings.

Decision

The Audit Committee noted:-

1. the Risks within the Council Risk Register with specific attention to risk score/tolerance, treatment actions and target dates;
2. the risks highlighted in paragraph 3.1 of the submitted report; and
3. the Service Risk Register Status updated in paragraph 3.3 of the report.

(Reference: Report by Head of Governance & Resources dated 12 August 2014, submitted).

The Convener declared the Meeting closed at 12.20 pm